by Genevieve B. Wimsatt ☆

Manufacturers' Orders and Inventory Position

SPRING brought some improvement in manufacturing activity. Incoming new business and the volume of shipments were both showing modest recovery after months of decline. Shipments remained above production as the reduction in inventories continued. Business stayed below the peak rates of a year ago with the differential greater for new orders than for deliveries. Backlogs of unfilled orders on manufacturers' books have continued to decline.

The adjustments in economic activity since the high in national output last summer have been most pronounced in manufacturing, which accounts for about a third of total employment and total national income. Factory employment has declined 11 percent from a year ago and the downward movement extended into May. The decline in factory employment centered in the durable-goods industries where the number of workers in May was 14 percent below May 1953. In the nondurable-goods industries, the number of wage earners was within 6 percent of last May.

Companies in heavy-goods industries had earlier experienced a large expansion in response to the rapid step-up of defense production and the concomitant increase in demand for consumers' and producers' durable goods. Output turned down last summer in response to reduced spending for military and consumer durables. The decline in demand became progressively larger through the first quarter of this year. In addition, expenditures for producers' durable equipment also eased moderately after the third quarter of 1953. With inventory shifts accentuating the movement, the production of durable goods has declined about one-eighth since last summer.

Events of the past year have also had some effects on the output of nondurable-goods manufacturers. The demand for soft goods, however, has been better maintained, and the decline in output by the nondurable-goods industries has been more moderate than in durables.

The shifts in demand had an initial impact on the volume of orders placed for manufactured products. This led to a review of production schedules and the volume and composition of their inventories. Although output was cut back, sales initially fell more, so that inventories rose through early fall. Liquidation started in October and has continued—at least in durable-goods areas—into May.

Trends in Sales and New Orders

Since the middle of last year, there has been a contraction in the flow of manufacturers' goods to customers. The seasonally adjusted rate of deliveries this spring was 8 percent under the July record—a lesser decline than in production due to the drawing down of inventories. The trend in factory shipments was downward through February of this year, but since then deliveries have edged up.

The decline in sales—as in employment—has been centered largely in the durable-goods industries. Late spring sales of these producers were off by one-seventh, while the aggregate value of shipments by the soft-goods industries was about equal to those in midsummer 1953. The spring months brought a halt to the downtrend in deliveries of durable goods. Moderate pickups in sales of motor vehicle and electrical equipment companies have been the prime factors in the 2 percent increase in shipments for the group as a whole since February.

Within the framework of the general downward movement in durable-goods sales since last year, there has been a wide diversity of experience among industry groups and among individual firms. Some of the variations in industry patterns will be highlighted later. A tally of the sales position of a representative group of manufacturing companies during the first four months of this year compared with the corresponding period a year ago indicates that thirty percent of the firms in durable goods had higher shipments this year, with more than one-half of these companies reporting increases of 10 percent or more. However, more than half of the durable-goods companies studied, experienced sales declines of more than 10 percent.

The relatively more favorable experience of nondurable-goods producers during this period is shown in the following table:

Manufacturers' Sales: Percent Change Jan.-Apr. 1953 to Jan.-Apr. 1954

Change in sales	Durable goods	Nondurable goods
	Percent of firms	
Increase of 10 percent or more	17	22
Increase of less than 10 percent	12	24
Decrease of less than 10 percent	16	24
Decrease of 10 percent or more	55	30
	Percent change in sales	
All firms	−12	0

The diversity between the groups was also noticeable among the component industries—with one-third or more of the firms in each major durable-goods industry reporting sales declines of 10 percent or more.

Movement of new orders

New orders provide one measure of the current and future demand for manufacturers' products. This series usually leads the sales series in business turning points, although for many companies orders are filled from stock, so that new orders are equivalent to sales. Such latter cases tend to obscure the lead of new orders over sales when the data are aggregated for groups of companies. Furthermore, the interpretation of the new orders-sales position must be considered in relation to the volume and trend of unfilled orders. Where unfilled orders-sales ratios are high, and unfilled orders increasing, a declining new orders trend need not necessarily presage an imminent drop in shipments.

Three points stand out in a comparison of the trends in sales and orders during the 1953–54 period. First, new

NOTE.—MISS WIMSATT IS A MEMBER OF THE BUSINESS STRUCTURE DIVISION, OFFICE OF BUSINESS ECONOMICS.

orders began their decline about 2 months sooner than sales; second, new orders declined relatively more than sales, and finally, orders moved up 1 month earlier than sales.

The value of new orders reached a peak in May of last year in contrast with a July peak for sales. Incoming business was at a low this January—some one-fifth lower than last May, while the sales low this February was 11 percent below the 1953 high.

The impact of the reduced demand for durable goods was especially noticeable in the orders data. For this group, new orders dropped more than a third in contrast with a one-sixth decline in sales. New orders for nondurable goods fell 5 percent in this period. The moderate spring pickup however, has been a little stronger for heavy-goods producers.

Orders for durable goods rose in February and March, and showed little change in April. Since February, shipments by durable-goods producers have been stable to slightly higher.

Backlog of orders

The effects on backlogs of changes in new orders and sales are shown in the chart. During the first three quarters of 1952, new orders received each month by durable-goods producers were larger than the value of deliveries, with consequent additions to backlogs. From then on orders have been below shipments. The consequent reduction in backlogs is measured in the chart by the areas between the two lines. For the heavy-goods producers, unfilled orders currently represent more than 4 months of durable-goods shipments, as compared to over 6 months in September 1952, and about 2¾ months in June 1950.

Within the durable-goods group considerable differences appear in the size of unfilled orders-sales ratios among industries and even among companies within a given industry. The highest ratios, both for the group and for individual firms, are in aircraft manufacturing. For durable goods other than aircraft, the ratio is a little over 3 months, or about the same as in 1941 and 1948—although lower than a year ago.

Table 1.—Durable-Goods Manufacturers' Unfilled Order-Sales Ratios [1]

	1950	1953				1954	
	II	I	II	III	IV	I	April
All durable-goods industries	2.68	6.61	5.30	4.96	4.69	4.46	4.31
Primary metals	2.79	3.39	3.12	2.79	2.78	2.07	2.55
Fabricated metals	2.00	5.09	4.43	4.46	4.14	3.44	3.16
Electrical machinery	3.06	8.85	8.66	7.93	7.62	7.20	6.88
Machinery (excluding electrical)	2.79	4.87	4.56	4.23	4.07	3.62	3.56
Transportation equipment (including motor vehicles)	2.80	9.31	8.67	7.95	7.02	7.28	7.16
Other durables	1.70	2.47	2.29	2.27	1.80	1.83	1.74

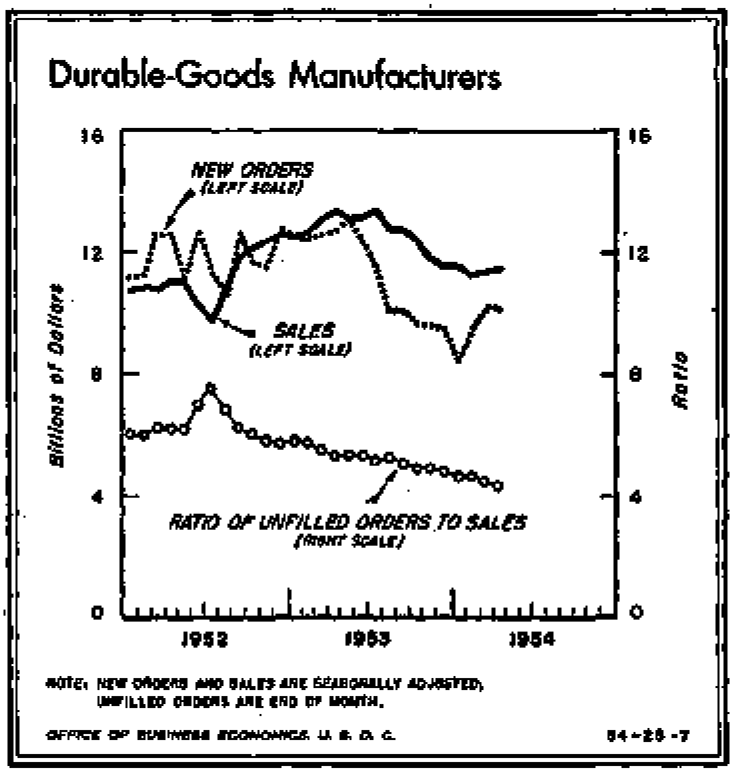
1. Unfilled orders end of period to average seasonally adjusted sales during period.

Source: U. S. Department of Commerce, Office of Business Economics.

Gross new orders and cancellations

The orders figures in the chart measure the net new business placed with manufacturers—that is, gross new orders less cancellations. In a period of declining defense spending, military contract cancellations may obscure diverse trends in other segments of manufacturing since the data do not permit segregation of this information.

Adequate statistical series on gross new orders and cancellations are not available separately due to the relatively small number of companies maintaining canceled orders records. In the absence of such information, a special tabulation for 1953 and the first 4 months of 1954 was made of orders—gross, canceled, and net—of a sample of 400 companies in all durable-goods industries, except motor vehicles.[1] Net new orders of this sample of companies comprised one-



fifth of the total orders in these industries. The results obtained are to be interpreted as only indicative of trend since the group comprises a subsample of the total companies reporting sales and orders data.

The results of the tabulation show a substantial growth in canceled orders for durable goods since the spring of 1953, reaching a peak at the end of the third quarter of last year. The volume then receded somewhat in the final quarter of 1953, but advanced this winter. Recent months brought an easing in cancellations and the March–April average was little different from a year ago.

The course of gross new orders in 1953 was generally downward through the early months of this year. Gross new orders have recovered some ground since then although, still below year-ago rates. As a consequence, cancellations as a proportion of gross new orders are also above last year. During the first two quarters of 1953—a period of high activity—the proportion averaged about 7 percent. Cancellations of durable goods represented over 15 percent of gross new orders in the third quarter, and then averaged a little over 10 percent during the fourth quarter. The ratio rose somewhat this winter, but dropped back to less than 10 percent in March and April.

From the patterns in the gross new orders and cancellations data, it is apparent that both series contributed to the decline in net new orders over the past year. The rescheduling inherent in changed military programs since mid-1953 gave rise to sizable revocations and changes in terms of con-

1. Some important motor vehicle producers report unfilled orders on defense accounts only.

Table 2.—Manufacturers' Inventory-Sales Ratios

[Adjusted for seasonal variations]

	1948	1950	1953	1954	
	I	I	I	I	April
All manufacturing industries	1.63	1.76	1.73	1.93	1.86
Durable-goods industries	1.91	1.94	1.94	2.30	2.22
Primary metals	1.61	1.54	1.44	2.14	2.06
Fabricated metals	1.69	1.95	2.03	2.56	2.38
Electrical machinery	2.03	2.13	2.29	2.51	2.34
Machinery (excluding electrical)	2.67	2.77	2.65	2.81	2.74
Motor vehicles and equipment	1.68	1.44	1.38	1.65	1.58
Transportation equipment (excluding motor vehicles)	3.47	2.53	2.70	2.88	2.92
Nondurable-goods industries	1.50	1.44	1.62	1.66	1.54
Food and kindred products	1.04	1.02	1.04	.95	.90
Textile-mill products	1.84	2.07	2.30	2.39	2.20
Apparel	1.43	1.53	2.08	2.22	1.96
Leather and products	1.73	1.88	1.96	2.10	2.04
Paper and allied products	1.43	1.36	1.61	1.50	1.46
Chemicals and allied products	1.85	1.70	1.77	1.90	1.76
Petroleum and coal products	1.19	1.60	1.27	1.25	1.27
Rubber products	2.17	2.20	1.97	2.35	2.19

Source: U. S. Department of Commerce, Office of Business Economics.

tracts. Businessmen not only were cutting back or canceling orders already placed but were cautious about additional commitments.

The effects are reflected in the experience of nonautomotive transportation equipment companies in the sample studied. This group, which has the largest backlog of defense orders, had one of the highest average ratios of canceled orders to gross new business. The value of cancellations received by transportation equipment producers in March and April was considerably below January and February, but above year-ago rates.

Definitive comparisons between industries in the severity of impact of cancellations cannot be made. However, all the major metals producing and fabricating groups apparently saw their peak rates of orders cancellation in the third quarter of 1953. On the other hand, in the furniture and stone, clay and glass industries—where defense work is very small—the high in cancellations occurred in the final quarter of last year.

Primary metal producers reported an average ratio of cancellations to gross orders in the last year almost as high as for the transportation equipment group. While the average for the latter was raised by two exceptionally high months—September and February—that for primary metals was substantial in most months. The practice of placing duplicate orders with several mills dwindled and, as metal supplies became plentiful and demand for metal products eased, needs for basic materials were increasingly met by the drawing down of inventories.

Electrical machinery manufacturers reported the lowest rate of cancellations to gross new business of any group. Their highest rate occurred in February of this year, largely because of terminations and changes in military contracts. An important factor in the generally strong position in this industry has been the continuing high capital outlays by electric power companies.

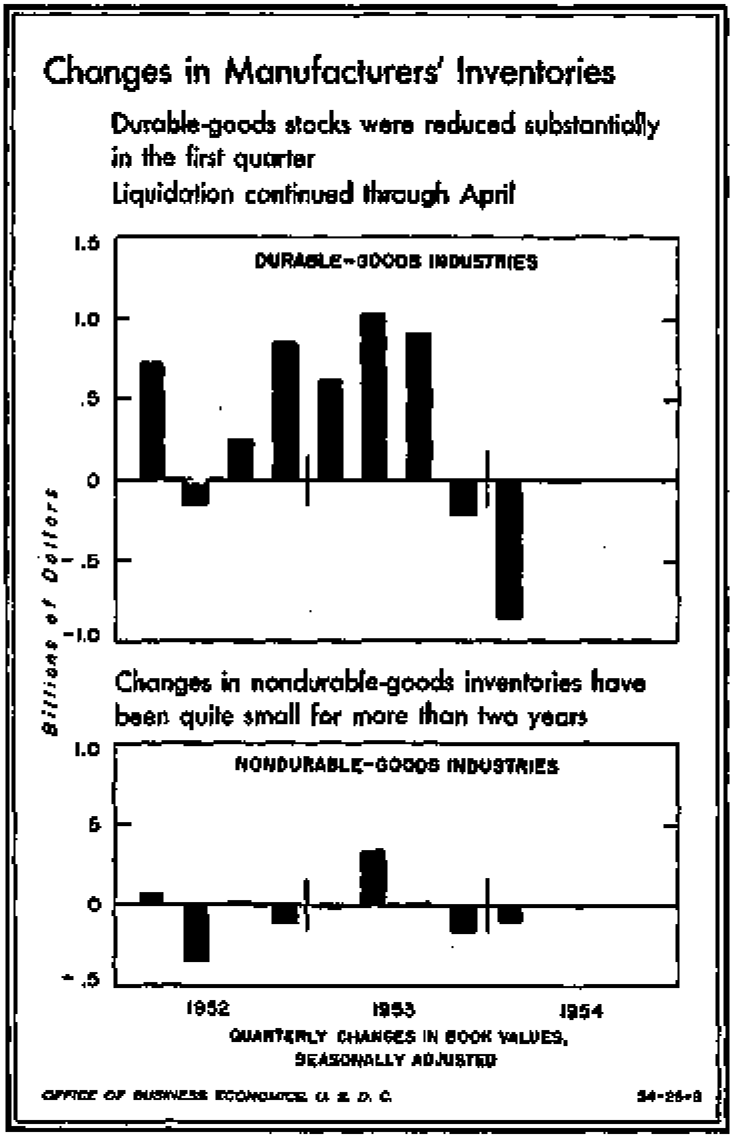
Inventory Developments

The seasonally adjusted value of manufacturers' inventories reached a peak of $47 billion at the end of last September. While book values continued to rise in the third quarter, the rate of increase rapidly diminished in this period. (See chart.) By the fourth quarter the correction had resulted in a moderate liquidation, and the inventory trend has continued downward since the first of the year.

In the 7 months from the end of September to the end of April, inventory values dropped by $2 billion—practically all in durables. At the end of April, seasonally adjusted durable-goods inventories totaled $25.4 billion, down 6 percent from early fall and about $100 million above April of last year. At $19.9 billion, nondurable-goods inventories were unchanged from a year ago, and 1 percent below September.

Stock-sales ratios

As a result of the recent sizable changes in sales and inventories, the stock-sales ratios in durable-goods industries have shown considerable movement over the past year. April inventories at 2.2 months of sales were about one-sixth higher relative to sales than in April of 1953 and little different from the fall position. As a frame of reference, durable-goods stock-sales ratios were somewhat over 1.8 in April 1950, and just under 2 months in April 1948. The April 1954 ratios of all major durable-goods industry groups were above the corresponding periods of 1950 and 1953. This was particularly true in primary and fabricated metals, and moderately so in both the electrical and nonelectrical machinery groups.



The current stock-sales ratio in nondurable goods manufacturing is lower than in the past fall and winter and about the same as in the spring of 1950 and 1953. By industries, current ratios in textiles and rubber are appreciably above 1950 and 1953, while food ratios are lower.

A somewhat similar picture emerges when the current values of manufacturers' inventories are evaluated in terms of their average historical relationship to sales. In this comparison sales are lagged about 6 months—since past experience indicates that on the average a change in the sales trend is reflected some 6 months later in a similar change in the course of inventories. Last year, sales were at highs in May and again in July; inventories peaked in September.

Inventories by stage of fabrication

The amount of investment or disinvestment in inventories, in a period of changing business conditions, is the result of differing and sometimes opposing or offsetting movements in various categories of stocks. Some light is thrown on such movements when inventories are classified by stage of fabrication.[2] A useful breakdown from the point of view of the individual manufacturer is a three-way classification: Finished goods or stocks ready for shipment, goods in process, and raw or purchased materials and supplies.[3] When finished goods are aggregated for a group of manufacturers, some commodities are included which will undergo further processing after they are sold, but all have the common characteristic of being ready for sale by the owning firm at the time of the classification.

The optimum amount of finished goods to be held by a company is usually the minimum with which orders can be efficiently met. They are usually expanded with rising sales, though less than proportionately. When sales are declining, increases in shipping stocks are usually indicative of involuntary additions to inventories.

Goods in process usually fluctuate with current production, while the purchased materials category is generally geared to planned future output—although other factors such as price and supply expectations are important in policy decisions. Both of these categories of inventories also may contain unintended elements of increase in a period of contracting business—because of failure of anticipated sales to materialize and unexpected orders cancellations by customers, as well as inability to cancel all undesired orders outstanding with suppliers. Adjustments are usually made more quickly in these groups, however, and data available back to 1939 indicate that the purchased materials category has the shortest sales lag, goods in process the next shortest, and finished goods the longest.

Purchased materials and in-process stocks

The sharp buildup of stocks of purchased and raw materials in the initial stages of the defense program was evident in 1950 and 1951 when this category accounted for 40 percent of the $14 billion book value increase in those years. In 1950 the rise was about equally divided between durable- and nondurable-goods producers, but in the next year soft-goods manufacturers eased their additions to working stocks. During 1952 there was a small liquidation in purchased materials, centering in nondurable goods.

The buildup by durable-goods producers continued in 1952, but this increase was offset as a result of the 2-month stoppage in steel output. Last year there was little change in this category as very moderate liquidation by nondurable-goods industries was almost offset by the slight accumulation in the heavy-goods area. During the first 4 months of this year, larger than seasonal liquidation continued in both durable- and nondurable-goods industries. The decline was nearly twice as large as in the first 4 months of last year.

Accumulation in the goods-in-process category did not reach its peak until 1951 and was about the same in 1952 as in 1950. Practically all of this increase was in durable-goods industries, as goods in process constitute a very small part of soft-goods producers' inventories. These working stocks continued to increase during the first half of 1953, but showed a net liquidation as output was reduced in the second half. Goods in process have shown little change so far this year and are currently somewhat below the spring of 1953.

Stocks of finished goods

Shipping stocks showed little change in 1950, but sharply increased in 1951 for both durable and nondurable goods. This resulted in part from the need to replenish stocks after the buying waves in late 1950 and to accommodate the rising volume of demand. Sales of consumer goods, however, slowed in early 1951 and involuntary accumulations of many types of consumer commodities resulted.

The rise for the year was about equally divided between durable- and nondurable-goods industries. The next year—1952—brought relative stability to finished-goods stocks, with little change occurring in either soft or hard goods. Again in 1953, finished-goods stocks rose sharply. Continued accumulation by the durable-goods industries during the first 4 months of this year has been about offset by liquidation in the nondurables.

The relation of each of these categories to current sales may be compared with that in the high volume peacetime year of 1948. Purchased materials held by durable-goods producers have been lower relative to shipments than in 1948 for nearly all of the period since the beginning of 1950. Currently the value of purchased materials inventories is about a fourth higher than in 1948 while sales are about half again as large. The lower ratios in 1951 and 1952 were in part due to restrictions imposed under Government allocation of basic materials while a factor in the recent situation is that raw materials prices now are lower relative to prices of manufactured goods than they were in 1948.

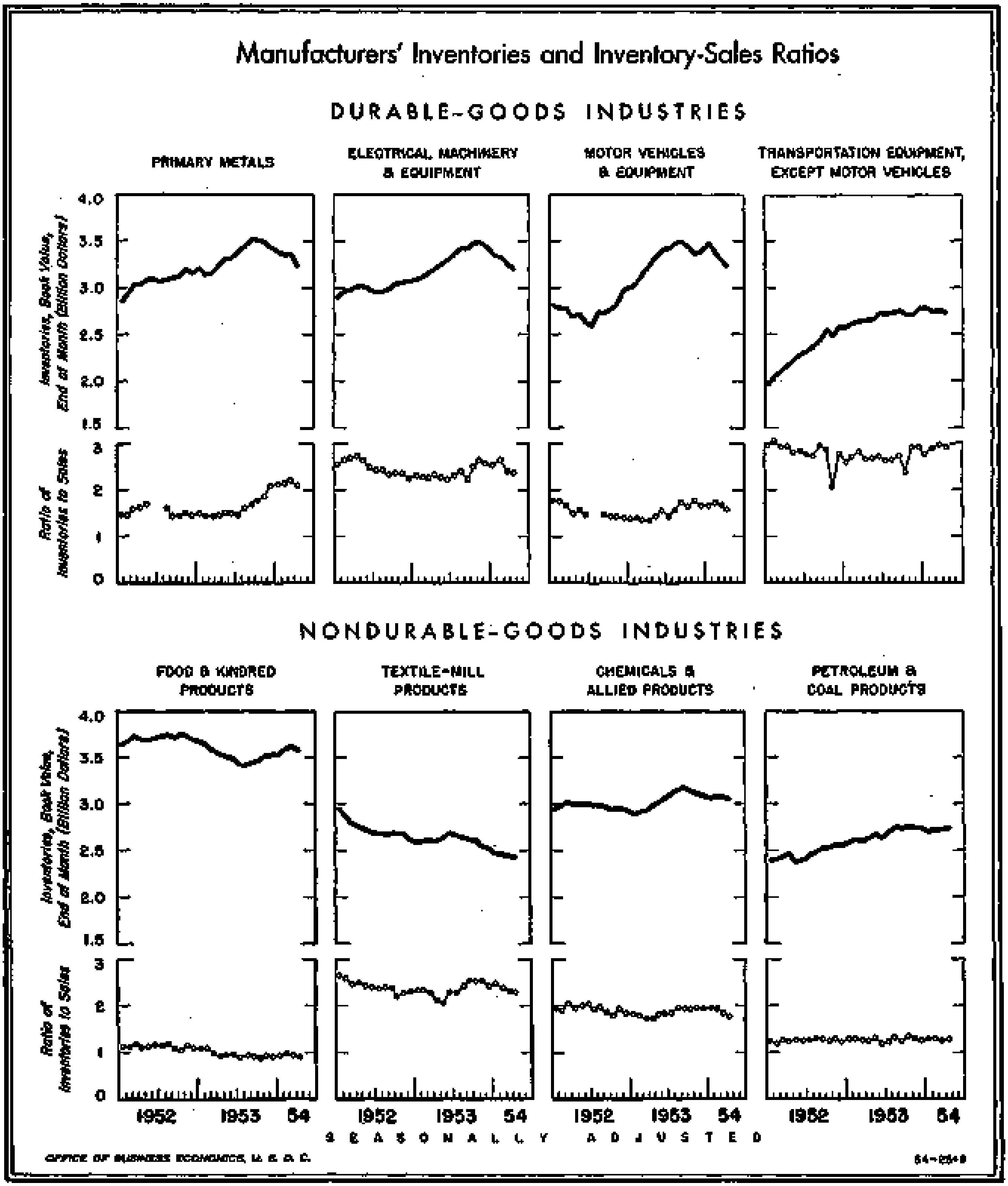
The situation is quite different with respect to the other categories of durable-goods stocks—goods in process and finished goods. Since the middle of 1951 they have been substantially above their 1948 relationship to sales. Currently their value is about twice that of 1948 compared to the 50 percent increase in sales. In large part, the explanation for the considerably higher volume of goods-in-process inventories lies in the substantial volume of durable-goods inventories which are now earmarked for defense contracts. Many hard goods for military usage have very long production periods and hence remain in goods in process for a considerable time. While the book value of goods-in-process inventories of durable-goods producers is little changed from a year ago, the decline in sales has resulted in a currently higher ratio of these stocks to sales.

Stocks of finished goods were considerably higher relative to sales than in 1948 from the middle of 1951 to the third quarter of 1952. The ratio then fell, but again in the middle of 1953 finished goods stocks began to exceed the 1948 relationship to sales.

The situation in nondurable-goods industries relative to 1948 is similar to that described for durable goods—except

2. Recently revised data in the statistical series on manufacturers inventories classified by stage of fabrication are shown in table 3 from 1950 to 1954. Data for prior years have been published in the SURVEY OF CURRENT BUSINESS: 1939–47 in the May 1953 issue; 1948 in the March 1953 issue; and 1949 in the March 1952 issue. These figures are not adjusted for seasonal variation, so that month-to-month comparisons within a year may lead to some distortion in estimating underlying movements.

3. A classification using similar terminology is sometimes made of all commodities in the productive process. In this system finished goods refers only to goods ready for the final consumer; raw materials those upon which there has been no processing.


Manufacturers' Inventories and Inventory-Sales Ratios
DURABLE-GOODS INDUSTRIES
PRIMARY METALS
ELECTRICAL MACHINERY & EQUIPMENT
MOTOR VEHICLES & EQUIPMENT
TRANSPORTATION EQUIPMENT, EXCEPT MOTOR VEHICLES
Inventories, Book Value, End of Month (Billion Dollars)
Ratio of Inventories to Sales
4.0
3.5
3.0
2.5
2.0
1.5
3
2
1
0
NONDURABLE-GOODS INDUSTRIES
FOOD & KINDRED PRODUCTS
TEXTILE-MILL PRODUCTS
CHEMICALS & ALLIED PRODUCTS
PETROLEUM & COAL PRODUCTS
1952
1953
54
SEASONALLY ADJUSTED
OFFICE OF BUSINESS ECONOMICS, U. S. D. C.
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that deviations from the ratios in the earlier year are considerably smaller. Finished-goods inventories are now higher relative to sales than in 1948, and purchased materials are somewhat lower. Goods in process which are relatively small in the soft-goods industries bear about the same relationship to sales as in 1948.

Summary of position

Changes over the past year in stock-sales ratios may be summarized as follows:

Currently, shipping stocks of durable-goods producers represent about three-fourths of a month's shipments. The proportion is about half again as large as in the first 4 months of last year. Goods in process are equivalent to about nine-tenths of current monthly sales and are only moderately above the ratio a year ago. Purchased and raw materials are about 60 percent of monthly sales, or just above the ratio for the opening months of 1953.

Stock-sales ratios for nondurable-goods producers are little different from last year, and the movements over the year were more moderate. Shipping stocks this year were a little higher in relation to shipments than last year, while purchased material inventories were a little lower. Each of these stock categories is equivalent in value to about seven-tenths of 1 months sales. Goods in process were less than one-fourth of monthly sales and have shown little movement over the year.

Review of Industry Trends

The difference between the sales-orders-inventory patterns of durable and of non-durable-goods producers in the recent period of adjustment has been highlighted in previous sections. Industries in each group have varied from the general pattern with the deviations in the durable-goods sector being largely in degree while in nondurable goods some industries have moved in a direction opposite from the general trend.

In the durable-goods industries all of the major groups except furniture, where there was little change, have experienced sales declines from last summer's highs. The least contraction in sales occurred in the transportation equipment and machinery areas. The most sizable declines

Table 3.—Manufacturers' Inventories by Stage of Fabrication

[Millions of dollars; not adjusted for seasonal variation]

Year and month	All manufacturing				Durable-goods industries				Non-durable-goods industries			
	Total inventory	Purchased material	Goods in process	Finished goods	Total inventory	Purchased material	Goods in process	Finished goods	Total inventory	Purchased material	Goods in process	Finished goods
1949: December	29,038	11,421	6,681	10,936	13,956	4,720	4,650	4,585	15,082	6,700	2,031	6,351
1950: January	29,259	11,219	6,898	11,042	14,011	4,671	4,703	4,637	15,248	6,548	2,195	6,405
February	29,220	11,223	6,981	11,016	14,113	4,651	4,774	4,688	15,107	6,572	2,207	6,328
March	29,306	11,123	7,112	11,071	14,219	4,649	4,817	4,753	15,087	6,534	2,265	6,288
April	29,351	10,989	7,218	11,149	14,341	4,570	4,955	4,810	15,010	6,419	2,261	6,330
May	29,574	11,023	7,290	11,261	14,558	4,657	5,062	4,839	15,016	6,336	2,228	6,452
June	29,830	11,167	7,318	11,381	14,736	4,880	5,033	4,823	15,101	6,277	2,285	6,539
July	29,705	11,465	7,406	10,839	14,620	5,008	5,084	4,531	15,085	6,393	2,394	6,298
August	29,862	11,801	7,666	10,443	14,643	5,211	5,165	4,267	15,219	6,650	2,393	6,176
September	30,736	12,442	7,769	10,434	14,929	5,423	5,341	4,164	15,807	7,119	2,418	6,270
October	31,697	13,142	7,938	10,627	15,303	5,554	5,500	4,249	16,394	7,588	2,438	6,378
November	32,240	13,934	8,112	11,089	15,138	5,962	5,687	4,494	17,102	8,001	2,455	6,636
December	34,534	14,928	8,374	11,232	16,768	6,256	5,922	4,590	17,766	8,672	2,452	6,642
1951: January	36,026	15,257	8,861	11,477	17,370	6,258	6,362	4,750	18,240	9,090	2,499	6,718
February	36,100	16,407	9,102	11,497	17,809	6,270	6,552	4,977	18,368	9,218	2,550	6,620
March	37,074	15,837	9,465	11,792	18,219	6,309	6,803	5,107	18,855	9,528	2,652	6,675
April	38,728	16,005	9,834	12,289	18,863	6,345	7,093	5,306	19,425	9,750	2,741	6,934
May	39,144	16,123	9,961	13,070	19,496	6,543	7,226	5,728	19,648	9,581	2,725	7,342
June	40,032	16,329	10,004	13,699	20,107	6,886	7,224	6,007	19,925	9,403	2,770	7,602
July	40,902	16,632	10,042	14,228	20,652	7,088	7,349	6,215	20,249	9,444	2,693	8,112
August	41,428	16,607	10,061	14,760	21,128	7,211	7,492	6,425	20,300	9,390	2,579	8,331
September	41,714	16,456	10,342	14,917	21,500	7,279	7,713	6,508	20,214	9,170	2,639	8,400
October	42,095	16,875	10,403	14,747	21,833	7,468	7,895	6,470	20,242	9,367	2,598	8,277
November	42,425	16,841	10,718	14,866	22,130	7,644	8,092	6,494	20,295	9,207	2,626	8,462
December	43,123	17,016	11,020	15,087	22,689	7,698	8,380	6,711	20,434	9,413	2,640	8,376
1952: January	43,520	16,814	11,372	15,334	23,016	7,503	8,602	6,910	20,505	9,311	2,770	8,424
February	43,730	16,602	11,793	15,335	23,325	7,448	8,908	6,969	20,405	9,244	2,765	8,396
March	43,946	16,403	11,904	15,461	23,626	7,372	9,138	7,086	20,320	9,121	2,826	8,373
April	43,790	16,186	12,063	15,541	23,735	7,205	9,306	7,225	20,055	8,951	2,788	8,316
May	43,871	16,084	12,073	15,514	23,906	7,216	9,401	7,280	19,965	8,868	2,672	8,326
June	43,305	15,840	11,914	15,551	23,561	7,116	9,291	7,145	19,744	8,725	2,623	8,406
July	42,905	15,700	11,896	15,331	23,213	7,047	9,102	6,874	19,882	8,719	2,706	8,457
August	43,003	15,507	12,132	15,294	23,183	7,080	9,302	6,802	19,820	8,568	2,740	8,512
September	43,072	15,792	12,204	15,010	23,244	7,183	9,477	6,585	19,828	8,610	2,787	8,431
October	43,246	15,970	12,442	14,843	23,457	7,345	9,587	6,555	19,789	8,625	2,866	8,298
November	43,661	16,243	12,207	15,081	23,643	7,467	9,504	6,672	19,018	8,770	2,708	8,409
December	44,442	16,549	12,633	15,260	24,367	7,643	9,954	6,870	20,075	9,000	2,670	8,390
1953: January	44,691	16,206	12,967	15,424	24,600	7,336	10,116	7,149	20,091	8,871	2,845	8,375
February	44,858	16,067	13,258	15,513	24,847	7,208	10,324	7,290	20,011	8,894	2,834	8,283
March	45,158	16,040	13,646	15,464	25,298	7,232	10,654	7,412	19,860	8,817	2,861	8,182
April	45,302	15,838	13,712	15,812	25,608	7,202	10,750	7,656	19,754	8,630	2,950	8,167
May	45,884	15,857	13,693	16,335	26,093	7,504	10,730	7,857	19,791	8,451	2,962	8,378
June	46,334	15,891	13,762	16,476	26,339	7,607	10,729	7,983	19,995	8,399	3,043	8,543
July	46,436	16,241	13,698	16,497	26,463	7,805	10,713	7,888	19,973	8,340	2,985	8,642
August	46,489	16,244	13,645	16,600	26,564	8,028	10,738	7,798	19,925	8,210	2,907	8,802
September	46,048	16,420	13,551	16,076	26,013	7,906	10,723	7,583	20,034	8,420	2,828	8,777
October	46,528	16,402	13,351	16,776	26,598	7,975	10,605	8,037	19,991	8,420	2,780	8,719
November	46,532	16,377	13,149	17,006	26,549	7,806	10,473	8,181	19,983	8,482	2,676	8,825
December	46,947	16,419	13,304	17,224	26,697	7,740	10,584	8,397	20,250	8,673	2,760	8,827
1954: January	46,773	16,023	13,512	17,237	26,599	7,470	10,676	8,448	20,174	8,547	2,836	8,791
February	46,345	15,793	13,265	17,287	26,235	7,247	10,436	8,552	20,120	8,536	2,849	8,735
March	45,959	15,371	13,311	17,277	26,042	7,043	10,473	8,526	19,917	8,488	2,938	8,461
April	45,470	14,996	13,209	17,235	25,720	6,728	10,464	8,544	19,750	8,307	2,885	8,561

Source: U. S. Department of Commerce, Office of Business Economics.

have been in the sales of basic materials producers—primary metals, both ferrous and nonferrous, and lumber.

Sales of producers of transportation equipment other than motor vehicles have declined about 10 percent from their last July rate. In contrast to the general liquidation of durable-goods inventories since last fall, these companies' inventories have shown little change. While the stock-sales ratio for this group was reduced a little in early spring it is currently at a near-record rate of 3 months of sales. The inventory adjustment by motor vehicle producers, on the other hand, has been substantial—amounting to about 10 percent since last September. Late-spring shipments of this industry were 15 percent under last year's high. The stock-sales ratio has been reduced in recent months dropping to 1½ months of sales, compared with 1⅓ months a year ago.

Sales by both electrical and nonelectrical machinery producers have declined about 8 percent from mid-1953. Both groups have liquidated some 10 percent of their stock since the September peak, bringing stock-sales ratios in recent months almost back to their year-ago rates of a little over two months. Orders backlogs have been reduced relatively less in electrical equipment than in other machinery industries. As of April of this year, the ratio of unfilled orders to sales for electrical equipment was nearly 7 months as against 9 months last April. Backlogs of orders held by nonelectrical producers this spring amounted to 3½ months of sales, as compared with nearly 5 months of sales a year ago.

Since last summer, sales of primary metal producers have dropped one-third, while their new orders have fallen almost two-fifths—with even greater relative reductions in steel. Unfilled orders held by this group represented a little over 2½ months of sales as of the end of April—a ratio about one-fifth lower than a year ago.

Some inventory liquidation was accomplished during the fourth quarter, but there was very little change in the book values of inventories of the primary metals group during the first 3 months of this year. April brought a substantial decline, centered largely in the steel industry. At the beginning of May, stocks amounted to 2 months of sales, well above the ratio a year ago.

Nondurable industries divergent

The relative stability shown by the nondurable-goods industries in the past year has resulted from moderate and offsetting movements in the component industries. Sales for the food group have moved up about 2 percent since last summer and are now above the year-ago total. The increases occurred in all food-processing industries other than meat packing—where there was little change. In line with the rise in total food sales, inventories have been increased, with the accumulation again centering in areas other than meat. Inventory-sales ratios rose during the fall and winter but declined in March and April.

The same pattern—sales increases and inventory accumulation—but in more moderate degree, has been shown by beverage producers. Other consumer goods industries such as apparel and leather products showed the more typical course of decline in sales followed subsequently by inventory liquidation.

The sales decline in textiles, 12 percent from the high last May, was among the sharpest in the nondurable-goods industries. Inventory liquidation by textile companies began last July—somewhat earlier than in other areas; sales had also turned down somewhat earlier than in other soft-goods industries. Textile inventories now represent about 2¾ months of sales—and have increased more relative to sales than have most other major nondurable sectors.

The chemical group has shown considerable sales strength in recent months, with shipments in April at about equal to the July 1953 high. Inventory liquidation has been moderate. Due primarily to the sales gain this spring, the inventory-sales ratio has declined substantially during the last few months of this year and is now back to the year-ago rate.

Sales of rubber producers have dropped almost 15 percent from their 1953 high, and stocks have been reduced relatively about as much. Petroleum sales have shown about a 2 percent decrease from midsummer, while more recent inventory adjustments have brought stock-sales ratios in line with year-ago rates.

Sales - Inventory Position of Retailers

(*Continued from p. 16*)

The decline in sales from a year ago in the Kansas City, Atlanta, Richmond, and Dallas districts may be influenced by the decrease in farm income. For the United States as a whole, cash receipts from farm marketings in the first quarter of this year were down about 3 percent from a year ago, due largely to a 9-percent reduction in crop receipts.

The regions which have fared somewhat better in department store sales than the average for the country as a whole over the past year—although somewhat poorer over the entire postwar period—are in the northern and eastern parts of the country in which farming and very heavy industry play a lesser role. The fact that in the recent period at least, these regions have experienced somewhat lower relative sales declines may reflect the greater incidence of light industry in these areas—industries whose output has been better maintained in recent months.

Regional data are also available on automobiles, an important product not sold through department stores. New passenger-car registrations for the Nation as a whole were down approximately 5 percent from January–April 1953 to January–April 1954. Two districts—San Francisco and Cleveland—which fared less well than the national average in the change in department-store sales, also showed larger declines than the national total for new-car registrations. Two other districts—Kansas and Richmond—while roughly paralleling the national trends in department-store sales, underwent larger percentage declines in registrations. At the other extreme, in three districts which bettered the national trend in department-store sales—Boston, New York, and Atlanta—new-car sales were close to a year ago, with States in the Atlanta district showing a pickup in registrations this year as compared with a year ago.